GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

STARRED QUESTION NO:1
ANSWERED ON:19.11.2009
REVIVAL OF CLOSED FERTILIZER UNITS
Kodikunnil Shri Suresh;Vardhan Shri Harsh

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) Whether several units engaged in the production of fertilizers are presently lying closed;

(b) If so, the details thereof and the reasons therefor;

(c) Whether the proposals for the revival of the fertilizer public sector undertakings have been finalised;

(d) If so, the details thereof; and

(e) If not, the time by which the same will be finalised?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS & FERTILIZERS. (SHRI SRIKANT KUMAR JENA)

(a) to (e) : A statement is laid on the Table of the House

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF THE LOK SABHA STARRED QUESTION NO.1 TO BE ANSWERED ON 19.11.2009

Ans (a) & (b) : Yes, Madam. Five Units of the Fertilizer Corporation of India Limited (FCIL) and three Units of Hindustan Fertilizer Corporation Limited(HFCL) in the public sector are lying closed.

Following are the Unit-wise details: -

(i) FCIL

Name of unit	Date of commissioning	Date of shutdown	Date of Govt. decision to close down
Sindri	1979	March, 2002	5.9.2002
Gorakhpur	1969	1990	18.7.2002
Talcher	1980	1.4.1999	18.7.2002
Ramagundam	1980	1.4.1999	18.7.2002
Korba	Never commissioned	Not applicable	30.7.2002

(ii) HFCL

Name of unit	Date of commissioning	Date of shutdown	Date of Govt. decision to close down
Barauni	1976	1999	5.9.2002
Durgapur	1974	1997	5.9.2002
Haldia	Never	Not applicable	18.7.2002

The closed units of HFCL & FCIL had been consistently incurring losses due to a variety of reasons including obsolete technology, design and equipment deficiencies, power shortages, problems in industrial relations, surplus manpower and resource constraints. The non-availability of natural gas further limited the ability of the units to undergo modernisation and improve energy efficiencies which were low at 15 to 21 Gcal/MT of Urea. The above factors combined with sharp increase in price of naphtha and FO/ LSHS made the cost of production of urea from these units economically unviable, resulting in closure of the units.

In addition, two urea units in the private sector viz. Duncan Industries Ltd, (DIL) Kanpur and Southern Petrochemical Industries Corporation Limited(SPIC), Tuticorin are currently closed due to financial constraints as reported by the companies. Further, the urea unit of Fertilizers & Chemicals Travancore(FACT), Cochin is also not in operation as it is uneconomical to operate under the urea subsidy regime.

Answer (c) to (e): The Government has decided to explore the feasibility of revival of these closed public sector fertilizer units subject to assured availability of natural gas, to meet the emerging demand production gap of urea in the country. The Government has constituted an Empowered Committee of Secretaries (ECOS) with the mandate to evaluate all investment options for revival of the closed units of FCIL/HFCL and to make suitable recommendations for consideration of the Government. The Government has also decided `in-principle` to consider waiver of all pending liabilities of HFCL / FCIL against Government of India Loan & interest subject to availability of a fully tied up revival proposal for the closed units. Further, the revival of Barauni unit of HFCL is being undertaken by a Special Purpose Vehicle (SPV) viz. M/s Urvarak Videsh Ltd, promoted by two fertilizer PSUs viz. M/s National Fertilizers Ltd. and M/s Rashtriya Chemicals & Fertilizers Ltd., and M/s KRIBHCO, a fertilizer cooperative.

ECOS has already considered various possible investment options for revival of each of the closed units and have finalised its recommendations regarding the suitable financing option. The recommendations of ECOS are under consideration of the Government. No firm timeline for the decision on finalisation of revival proposal can be indicated at this stage as the same is under consideration of the Government.